



CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK

RECOVERY ZONE ECONOMIC DEVELOPMENT BONDS FACT SHEET

On February 17, 2009, President Obama signed into law a \$787 billion stimulus bill, The American Recovery and Reinvestment Act of 2009 (ARRA). The ARRA encourages public finance participants to combine various types of financial obligations and tax credits in order to finance projects.

Recovery Zone Economic Development Bonds (RZEDBs) are a new type of taxable governmental bond, similar to the more widely known Build America Bonds (BABs), that provide issuers with a direct 45% federal interest subsidy or provide bondholders with a tax credit of 45% of the interest payable. Bond proceeds expenditures must be for property within a recovery zone or otherwise promote economic activity therein.

What are Recovery Zone Economic Development Bonds?	<p>Recovery Zone Economic Development Bonds (RZEDBs) are taxable governmental bonds issued before January 1, 2011, if:</p> <ul style="list-style-type: none">• 100% of the net available project proceeds of the issue are used in a designated Recovery Zone for qualified economic development purposes, and• RZEDBs can only be issued to fund projects that are started after an area has been designated as a recovery zone
What is a Recovery Zone?	<p>A Recovery Zone is defined as:</p> <ul style="list-style-type: none">• Any area designated by the jurisdiction as having significant poverty, unemployment, rate of home foreclosures or general distress• Any area designated as economically distressed by reason of closure or realignment of military installation pursuant to the Defense Base Closure and Realignment Act of 1990• Any area currently designated as an Empowerment Zone or Renewal Community
What are the eligible uses of RZEDBs proceeds?	<p>Eligible uses of RZEDBs include:</p> <ul style="list-style-type: none">• New money capital expenditures for property in a Recovery Zone• Public infrastructure or facilities (wherever located) that promote economic activity in a Recovery Zone• Expenditures for job training and educational programs <p>Additional eligible expenditures include: costs of issuance of not more than two percent (2%) of the proceeds, and a reasonably required reserve fund</p>
How much RZEDBs can be issued by an eligible issuer?	<p>Local issuance of RZEDBs is limited to the amount of RZEDB allocation a county or large city receives from the State through the allocation process.</p> <ul style="list-style-type: none">• Any city having a population greater than 100,000 or county that experienced a decline in total employment between 2007 and 2008 based on the U.S. Department of Labor Statistics data for that period. (See http://www.irs.gov/pub/irs-drop/n-09-50.pdf).• The State will reallocate issuer volume cap amounts among its counties and large cities greater than 100,000 in population.• The ARRA permits a county or large city to waive all or part of its allocation of the State bond limitations to allow further allocation within that State
How does the RZEDB interest subsidy work?	<p>On each interest payment date, the issuer of RZEDBs receives a 45% direct cash payment from the Treasury Department. The IRS and Treasury Department are currently soliciting public comment on several issues related to direct payment procedures for these types of bonds</p>
What is a pooled bond program for RZEDBs?	<p>A pooled bond program is a vehicle for several eligible cities and counties to aggregate RZEDBs financings into one large bond issuance to:</p> <ul style="list-style-type: none">• Access the taxable market in a cost effective manner, through economies of scale• Lower interest costs• Deliver project directed bond proceeds quickly by accessing a ready-assembled bond financing team• Lower administrative costs and burdens to the participating cities and counties over the life of the financing



I-BANK California Recovery Zone Economic Development Bonds Pool Finance Program

Preliminary Term Sheet

July 2009

Benefits of Recovery Zone Economic Development Bonds	Recovery Zone Economic Development Bonds provide local government participants with a direct federal payment equal to 45% of the interest on the bonds. Payments are made semi-annually. The taxable structure of the debt offering broadens the investor base for the local government participant and in the current market the RZEDBs have out-performed similar tax-exempt offerings.
Overview of the I-Bank Pool Loan Program:	The Pool Loan Program ("Program"), administered by the California Infrastructure Bank("I-Bank"), is designed to serve the financing needs of California Counties and Cities eligible to receive an allocation under the American Recovery and Reinvestment Act ("ARRA"). The I-Bank will act as the conduit issuer for the Program.
Use of Proceeds:	Qualified governmental uses that promote economic activity in a Recovery Zone. Examples includes capital costs related to public infrastructure and facilities as well as specified job training and educational programs.
Eligible Borrowers:	Any County or large City (population over 100,000) that receives an RZEDB allocation and has designated a recovery zone.
What is a Recovery Zone?	<ul style="list-style-type: none">• Any area locally-designated as having significant poverty, unemployment, rate of home foreclosures or general distress;• Any area designated as economically distressed by reason of closure or realignment of military installation pursuant to the Defense Base Closure and Realignment Act of 1990; or• Any area designated as a federal Empowerment Zone or Renewal Community.
Financing Structure:	Individual bond indentures will provide maximum program flexibility for pool and potential stand-alone borrowers, better rebate accounting and potential tax benefits. The I-Bank will establish individual Debt Service Funds, Debt Cost of Issuance Funds and Rebate Accounts for each borrower.
Interest Rate	Rates depend on market conditions at time of pricing. Recent comparable bond sales reflect net yields averaging 7% to 10% below tax-exempt rates.
Term of Bonds	Based on life of asset being financed
Target Rating	Single A ; AA for Bond Insured
Bond Servicing Fees:	Servicing fees may be charged to fund Program post issuance administrative costs.
Minimum Reserve Requirement:	The minimum reserve will be determined on a case by case basis.
Additional Bonds Test:	Additional bonds may be permitted if the borrower can demonstrate that annual debt service coverage from projected revenues will not be less than 1.10X-1.2X and that reserves are funded at the minimum reserve requirement at closing.
Coverage Certificate:	Document certifying coverage of projected revenues and annual debt service on the proposed series of bonds.
Projected Revenues Available to pay Debt Service:	Funds pledged as repayment source and interest earnings on investment obligations (held in Debt Service Reserve Fund)
Loan Security/Lease Secured	County or city pledge of an investment grade source of revenue. Repayment pledges can range from General Fund (preferred) to enterprise or dedicated revenue. The quality of the pledge directly affects the rating, and therefore the interest rate on the bonds.
Continuing Disclosure	After bond issuance, annual disclosure of specified information regarding financial condition and compliance with bond documents.
Amendments	In order to be maintain flexibility, the bond documents may permit certain amendments without bondholder consent, including changes to minimum coverage requirements or the Minimum Reserve Requirement.